

...In Wonderland

(A look at Tennessee's Identity Crisis)

League of Women's Voters

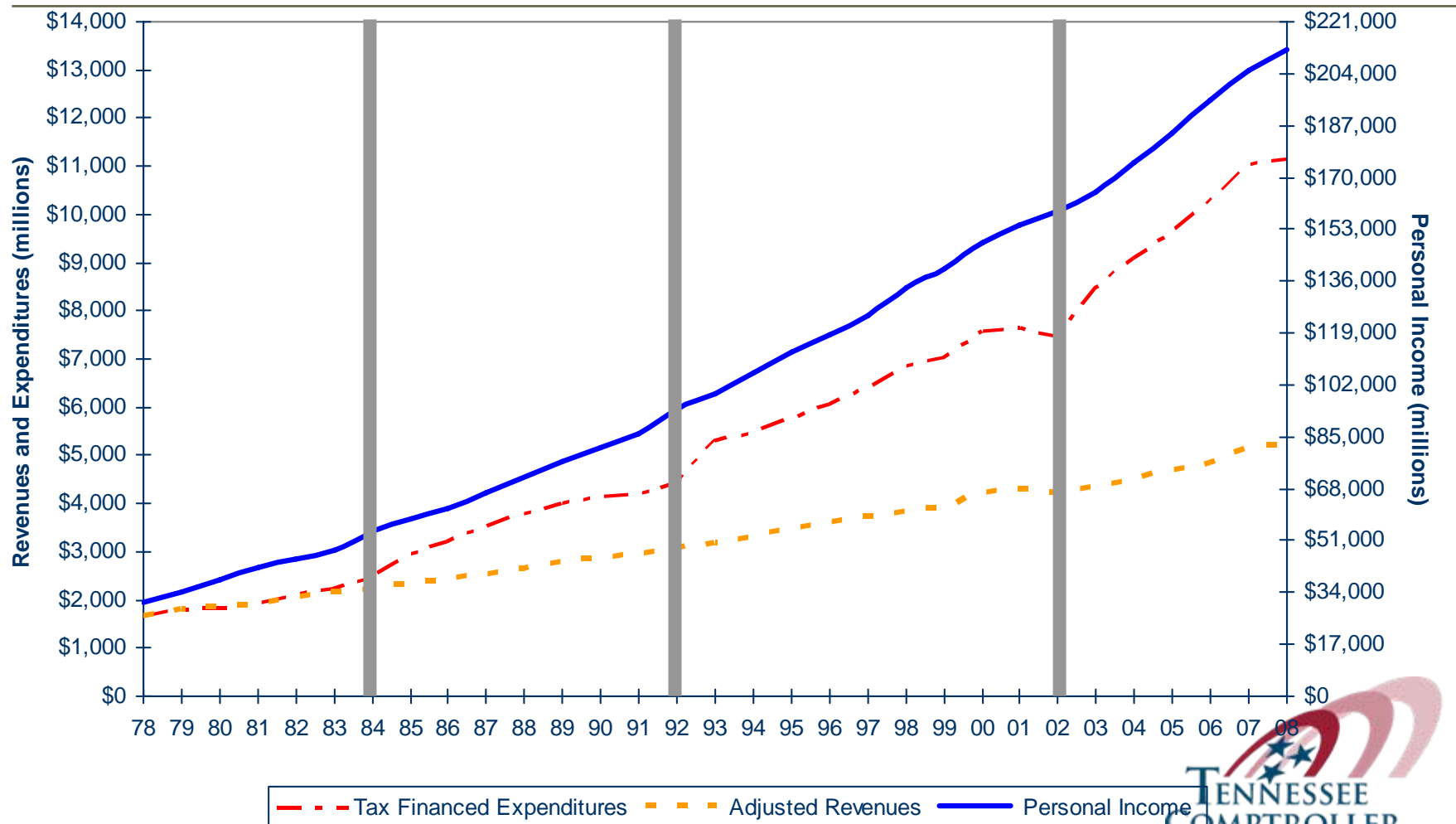
November 1, 2008



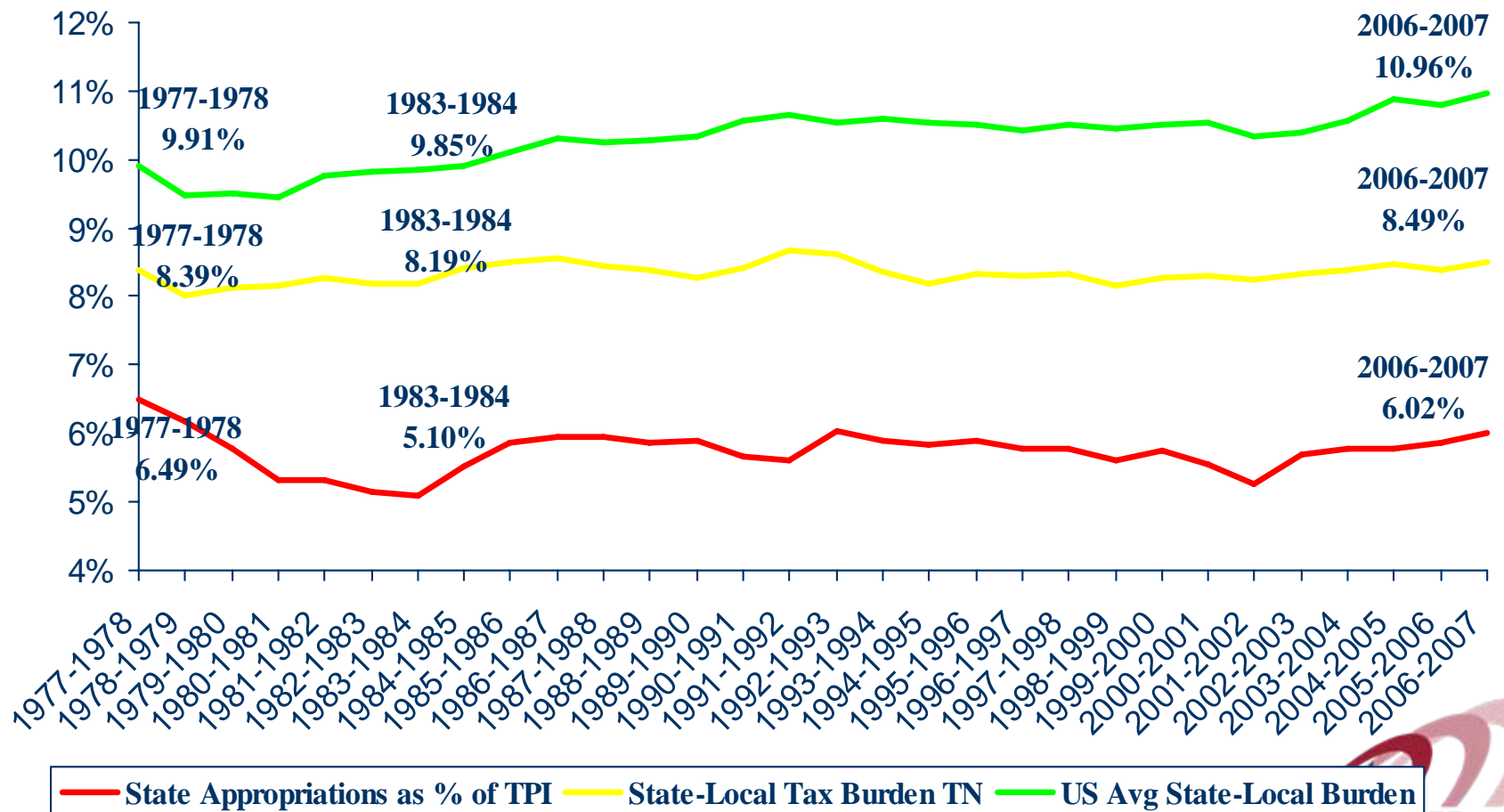
Down The Rabbit Hole

- ◆ Tennessee state government has followed the rabbit historically
- ◆ We suffer from an identity crisis
- ◆ Have we been drinking the potion to shrink over time only to eat the cake in order to get back to our old size?

Revenues and Expenditures in Tennessee, 1978 Base



Various Tax Burden Measures as a Percent of Personal Income



Confusion abounds

- ◆ Earlier slide shows issues with both our tax structure as well as ability to finance ongoing government operations.
- ◆ Status quo in both of these areas will not help Tennesseans compete in the 21st Century job market.

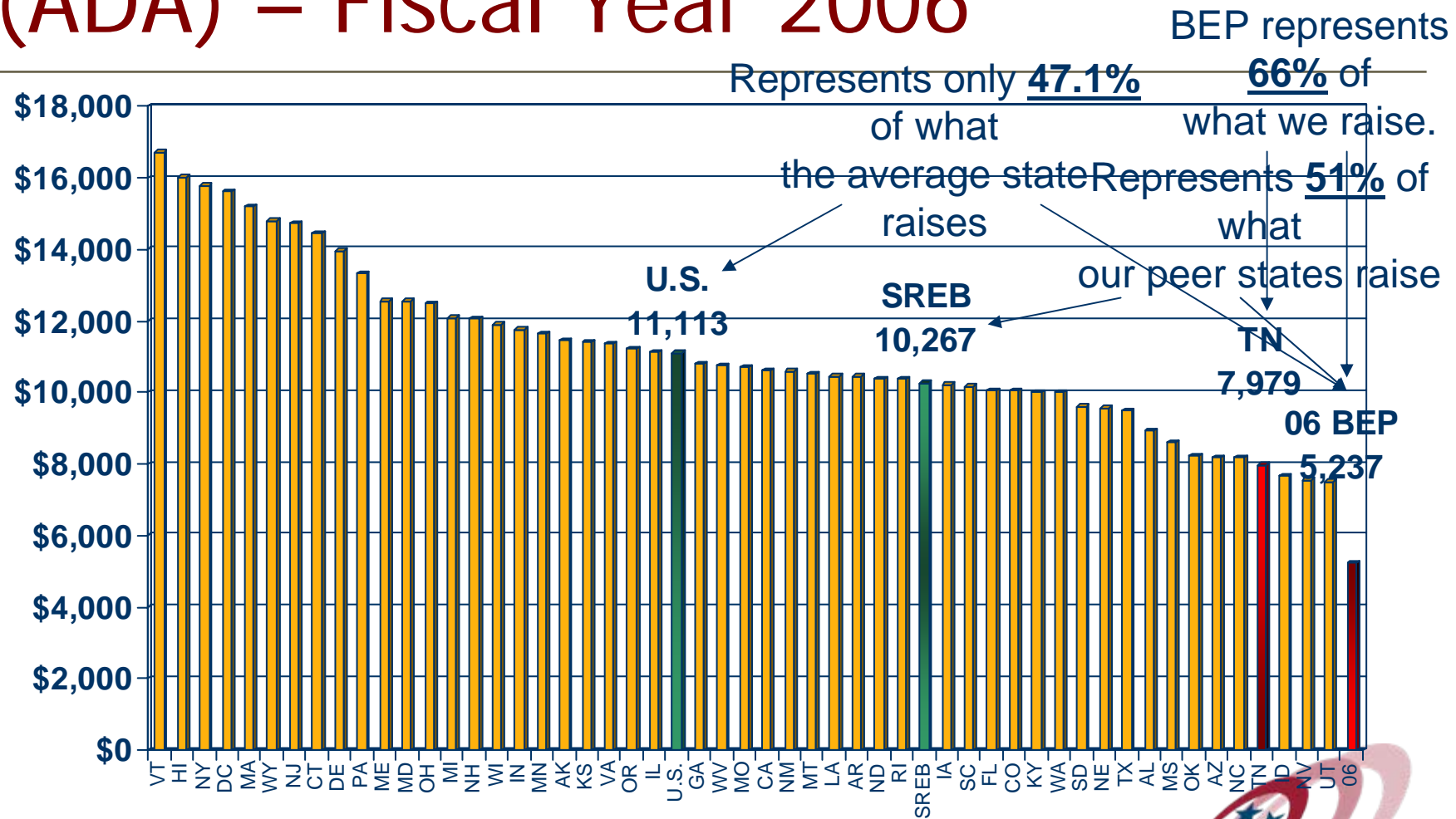
Tax Structure

- ◆ Our current tax structure at current rates won't allow the current service level for much longer
- ◆ The convergence of the economic cycle and the exhaustion of the tax structure has reoccurred
- ◆ Governor Bredesen places this year's shortfall at \$300-\$600 million, and
- ◆ This is occurring at a time when...

At a time when...

- ◆ ...financial support for education in Tennessee remains way below our peers as well as most other high performing states (and countries!)
- ◆ ...we need to be investing in programs that work and will lead to real improvement.
- ◆ ...globalization is real and here to stay
- ◆ ...more than ever before we must be as efficient as we can be

State and Local Revenues Per Pupil (ADA) – Fiscal Year 2006



SOURCE: NEA Rankings & Estimates 2007, Summary Table F-4

FY06 BEP – July Final, ADA data from Table 7B – Annual Statistical Report

Local Government Structure

- ◆ System of “un-accountability.”
 - County Executive/Mayor elected to manage the county with minimum discretionary authority over budgets.
 - Various constitutional offices with executive powers may operate with their own agendas with little or no incentive to cooperate and collaborate.
- ◆ Should consolidation within and among counties be easier?
- ◆ School Board v. County Commission dynamic

Court Structure

- ◆ Constitution calls for only “one Supreme Court” and “Circuit, Chancery and other inferior Courts as the Legislature shall from time to time, ordain and establish...”
 - In 1994 we released *Tennessee's Court System: Is Reform Needed?* that indicated significant inefficiency in Tennessee’s disjointed court system.
 - Tennessee Plan under scrutiny over last year.
- ◆ Everyone needs to talk about how we select the people that administer and adjudicate the law.

Financial Management Decisions

- ◆ State and local government money managers are currently limited in their ability to perform their jobs.
 - Should money managers be able to invest in...
 - ◆ Mutual Funds?
 - ◆ Hedge Funds?
 - ◆ Stocks?
- ◆ Competition for state business is limited by...
 - Limitation of liability issues that
 - Many businesses cannot agree to
 - Causing them not to compete in Tennessee

"Would you please tell me which way to go from here?" asks Alice

If we don't take the opportunity to gather all interests in the state and perform a thorough self-examination then we keep walking, but going...where?

"That depends a good deal on where you want to get to," said the Cat.

"I don't much care where —" said Alice.

"Then it doesn't matter which way you go," said the Cat.

"— so long as I get somewhere," Alice added as an explanation.

"Oh, you're sure to do that," said the Cat, "if you only walk long enough."

Advice from a Caterpillar (Comptroller)

- ◆ We need to decide what type of government Tennessee is going to be.
 - How big are we going to be?
 - What type and quality of services are we going to provide?
 - Where do we want our performance to stack up against the rest of the nation? the world?
 - How do we make that decision??

We Need a Vision for the Future

- ◆ Must be well thought out and discussed among all parties.
- ◆ Must be articulated from a group of opinion leaders.
- ◆ Must be coherent to all consumers (general public, media, etc.)
- ◆ A Constitutional Convention perhaps?

Convene a Convention?

◆ Identified Issues:

- Taxes (state and local)
- Education Finance
- Local Government Structure
- Judicial System Organization
- Government Financial Management
(Investing and Contracting)

Tennessee at the Crossroads?

- ◆ Final two years of the Governor's term
- ◆ An unprecedented combination of skill and luck may be enough to avoid the cycle
- ◆ Historically, major initiatives have been avoided in a new Governor's first term
- ◆ Can we wait 6 years?
- ◆ You decide